

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH ANDERSON WATER	)	
DISTRICT (1) FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY AUTHORIZING	)	
CONSTRUCTION OF MAJOR IMPROVEMENTS	)	
AND ADDITIONS TO ITS EXISTING WATER	)	CASE NO. 2011-00420
DISTRIBUTION SYSTEM, (2) SEEKING	)	
APPROVAL OF REVISED WATER SERVICE	)	
RATES AND CHARGES, AND (3) SEEKING	)	
APPROVAL OF THE ISSUANCE OF CERTAIN	)	
SECURITIES	)	

ORDER

On October 21, 2011, South Anderson Water District ("South Anderson District") applied for a Certificate of Public Convenience and Necessity to construct a \$2,850,000 waterworks improvement project, for an adjustment of rates, and for approval of its plan to finance the proposed project.

South Anderson District proposes to construct approximately 180 linear feet of 10-inch polyvinylchloride ("PVC") water main; 16,500 linear feet of 8-inch PVC water main; 1,200 linear feet of 6-inch PVC water main; 47,200 linear feet of 4-inch PVC water main; and 30,400 linear feet of 3-inch PVC water main; a 700 gallon per minute ("gpm") booster pump station; a 250,000 gallon elevated water storage tank; telemetry; and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$2,850,000. South Anderson District states that the proposed project is necessary to serve approximately 40 remaining unserved residences in their service area. The proposed project will also

provide additional storage and pumping capacity to the underserved area of the existing distribution system southeast of Lawrenceburg and provide 300 gpm of water to the North Mercer Water District through a master meter to be located on US Highway 127 at the Anderson County-Mercer County line.

South Anderson District proposes to finance the proposed construction from the proceeds of the issuance of \$1,000,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture; a grant of \$1,800,000 from the Kentucky Infrastructure Authority; and \$50,000 of internally generated funds. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 4.25 percent per annum. South Anderson District further proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, an average customer who uses 5,000 gallons of water monthly will experience an increase of 17.87 percent in his or her monthly bill.

South Anderson District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and South Anderson District or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when

the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

South Anderson District's application met the minimum filing requirements of KRS 278.023 on October 21, 2011. The Commission, therefore, is not able to review this application using the same standards used for applications that are not filed pursuant to KRS 278.023.

We note that one of the stated purposes for the proposed construction is to provide wholesale water service to North Mercer Water District. South Anderson District does not currently have a rate schedule on file with the Commission that provides for the provision of wholesale water service or specifies a rate for such service. Commission records further reveal no contract between South Anderson District and North Mercer Water District for wholesale service on file with the Commission. KRS 278.160(2) prohibits a utility from receiving greater or lesser compensation for service than that provided in its filed rate schedules. Accordingly, before South Anderson District commences wholesale water service to North Mercer Water District, it should file with the Commission a written contract or rate schedule that specifies the provisions under which the service is being provided.

IT IS THEREFORE ORDERED that:

1. South Anderson District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. South Anderson District's proposed plan of financing is accepted.

3. South Anderson District is authorized to issue \$1,000,000 of its Waterworks Revenue Bonds, at an interest rate not exceeding 4.25 percent per annum, maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in South Anderson District's application.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, South Anderson District may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in South Anderson District's rates for service. South Anderson District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. South Anderson District shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. South Anderson District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. South Anderson District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR

5:066, Section 5(1), South Anderson District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. South Anderson District shall notify the Commission in writing one week prior to the actual start of construction and at the 50-percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that South Anderson District renders on and after the date of this Order.

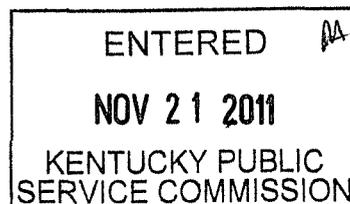
11. Within 20 days of the date of this Order, South Anderson District shall file with the Commission revised tariff sheets that set forth the rates contained in the Appendix to this Order.

12. Before providing wholesale water service to North Mercer Water District, South Anderson District shall file with the Commission a written contract or rate schedule that specifies the provisions under which the service is being provided.

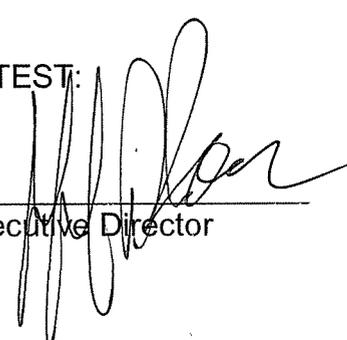
13. Any documents filed in the future pursuant to ordering paragraphs 5, 6 and 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:

  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00420 DATED **NOV 21 2011**

The following rates and charges are prescribed for the customers in the area served by South Anderson Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### Monthly Water Rates

First	2,000 gallons	\$18.93	Minimum bill
Next	3,000 gallons	9.29	per 1,000 gallons
Next	5,000 gallons	7.04	per 1,000 gallons
All Over	10,000 gallons	5.54	per 1,000 gallons
Bulk Loading Station		3.57	per 1,000 gallons

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